



“Gokaldas Exports Limited  
Q1 FY2021 Earnings Conference Call”

July 30, 2020



**MANAGEMENT: MR. SIVARAMAKRISHNAN GANAPATHI – MANAGING  
DIRECTOR & CHIEF EXECUTIVE OFFICER - GOKALDAS  
EXPORTS LIMITED**

**MR. SATHYAMURTHY – CHIEF FINANCIAL OFFICER -  
GOKALDAS EXPORTS LIMITED**



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*July 30, 2020*

**Moderator:** Ladies and gentlemen, good day and welcome to the Gokaldas Exports Q1 FY2021 Earning Conference Call. On the call today, we have with us the senior management of Gokaldas Exports, Mr. Sivaramakrishnan Ganapathi - MD and CEO and Mr. Sathyamurthy – CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sivaramakrishnan. Thank you and over to you Sir!

**Sivaramakrishnan G:** Thank you so much. Good morning everybody. This is Siva from Gokaldas Exports. I have Sathyamurthy our CFO with me as well on this earnings call for Q1 FY2021.

We meet again in a month just a month back we had earnings call for FY2020. I hope you all are healthy and are staying safe. I would like to start giving an overview of Q1 FY2021 right away.

The quarter was missed the bright of the pandemic that hit the Indian industry or the global industry rather and despite such severe headwinds and unexpected shocks, the company has more or less weathered all the storm and clocked a total income of about 237 Crores.

Substantial efforts given that for the quarter, we had almost 50% of our production capacity impacted due to lockdown, so right from last week of March till first week of May, we had our factories shut barring for some PPE healthcare garment production, that was small percentage so we did have severe production implication during the quarter but despite that we scrambled to overcome that deficiency in the subsequent period and could deliver this revenue.

We clocked an EBITDA of 18.5 Crores during this quarter and our net loss for the quarter was about 4.3 Crores. Now if you look at the revenue while the industry revenue fell by 62% or rather the Indian export revenue exports declined by 62%. Gokaldas's revenue fell only by about 30% and this is primarily because our exports fell by about 43% so we did 20% better than the Indian industry and we gained additional revenue, thanks to our entry into healthcare garment. We manufactured PPEs for Government of India. We were one of the pioneers in that space and are one of the larger producers of PPEs in the country, we make both woven and non-woven PPEs very, very high quality thin-feel PPEs and Government and the users are very happy with the quality of garment that Gokaldas Exports is offering.



*Gokaldas Exports Limited*  
*July 30, 2020*

We have taken that capability and we are also now engaged in discussions with international players for healthcare garment but that something in the future we are working on. One of the other highlights for the quarter is that we manage to contain our costs considerably given the revenue shortfall induced by the pandemic and we nimbly brought down our operating cost pretty considerably during this period and that also helped us manage the bottomline very well.

In fact we have brought down our operating expenses by 32% over the previous quarter, previous Q1. So a huge marked improvement and marked response to the challenges thrown by COVID and overall we had an EBITDA margin of 7.8% for the quarter. If you recall, I had mentioned earlier that we before the corona virus pandemic, we had a fairly robust order book for Q1 and we were gunning for a strong growth but unfortunately because of the virus hitting the global trade itself, we had to contain our revenue growth for the quarter. So this is how we have performed financially.

Some of the key aspects which helped us in the business was our diversification of our customer base that indeed help us to absorb the volatility of individual customers falling much more than the markets etc., so there were, the US and European markets both of them were shut for a considerable period of time during that quarter and retail sales came down to near zero, online sales were happening in a fairly this manner but the pandemic hit different retailers in different ways so certain retailers could weather the storm somewhat whereas some other retailers got impacted much more but our diversified customers base helped us to make sure that we did not get as impacted as we started working more with retailers who are not as impacted, we work with retailers in other geographies etc., to diversify and to capitalize on the given circumstances.

The entry into healthcare segment through PPEs also helped 25% of the revenue for the quarter came from that segment as well. We also responded with capex freeze so we went on conserving cash for ourselves so there was a complete freeze on any non-critical capex. We realigned our supplier payment also in tune with business reality and there was a very, very strong focus on cash conservation, so while we did borrow from the banks an extra COVID line of credit, we did not use it in the sense that we were keeping it as a backup line to primarily ensure that we have the credit availability. We also made sure that we align supplier payments to our receivables which were slightly delayed during this period because of the overall cash position in the industry itself and we have managed the situation through this quarter exceedingly well as in we have our cash in hand, it is robust and strong and we feel that our liquidity position is very strong, we are confident of having balance sheet which will support growth going forward in the future.



*Gokaldas Exports Limited*  
*July 30, 2020*

The other thing we did during the quarter was opex management. We critically evaluated all expenses. We realigned our headcount. We did some compensation restructuring as well, and any value added services which we were doing which were not really required during that period, we contained our cost considerably there, we also scaled down some of our factory operations where, operations were not at profitable relatively speaking. We renegotiated input costs with our suppliers so we did all of these initiatives to manage our operating expenses which really helped us in delivering a better EBITDA margin given the situation.

Our focus on providing employee safety remained very strong. We had fairly robust protocols for workplace safety. We were continuously sanitizing all our factories. We also spread our work stations in our factories, adequately to provide social distancing so that there is no fallout of pandemic in the factory if COVID even hits one employee, we did not want a spread within the factory so we provided adequate shields between work stations and all of that to prevent air flow and isolate workers from one another, so whatever possible measures we could take to protect our people, we have taken and we had doctors on standby, ambulance on standby wherever required. Thankfully we have not had any significant cases of COVID in our factory. We have managed the situation very well despite the pandemic raging all around us. Another important measure during all of this was to strengthen our engagements with our employees so as to maintain our productivity.

Customer relationships are most critical during this period as customers themselves, our customers who are large retail brands were themselves in a volatile situation and we had to work closely with them handhold them through this period to ensure that our relationship remain strong, we attempt to their needs for realignment of order delivery. There were times when they ask for order deferment, there were times when we had to ask for order deferment because our factories were shut and we wanted them to accommodate our request also as lockdown was imposed in India as well. All in all we managed our relationship exceedingly well and managed to ensure that whenever the lockdown was opened up in May, we could at least start operating the factories at the levels possible to serve our customers. We had our customers supporting us exceedingly well during this period and that is what we hope to carry forward in the quarters ahead.

On the supply chain side, we strengthened our engagement with our longstanding partners, we ensured that our suppliers understand the position of the entire value chain in which we are operating and made sure that we gave them advance payment schedule but make sure that we adhered to that payment schedule and make sure that they are comfortable with it. We supported them where required. For non-Chinese suppliers, we found alternate suppliers either in India or abroad. We worked with several of them to ensure that part is



*Gokaldas Exports Limited*  
*July 30, 2020*

taken care of. If you would recall, the Government of India was kind of slowing down the supplies from China as a fallout of the relationship between the two countries and we had to make sure that our supply chain is not impacted because of this and we managed to work through this situation very well by realigning supplier base.

Of course, the most important one is relentlessly focus on our manufacturing so we optimize manufacturing, we ensured that despite the fluctuations in workforce during this quarter on account of containment zones being declared in and around the city and where the factories are and movement of people being restricted, they were lot of fluctuations in worker availability but despite that we operated at fairly high efficiency level and our primary thrust through the quarter was to recover as much of lost production in April and May in the month of June and we did that, that is why we could clock the 237 Crores revenue during this period.

Overall, I think if we look at all the approaches that we took, we managed our cash flow very efficiently, we leveraged backline operated sufficiently, we balanced our capacity with the orders that we had from our customers, we stopped lot of non-valuating activities and manage the supply chain well and all through this managed our customer relationships exceedingly well. When I look at our customer base, the markets that is with especially the markets in North America and Europe, I find that the retail industry has slowly started opening up. The stimulus measures undertaken by those countries have started working somewhat and people have started purchasing garment, so there is a reasonably good sign of demand traction coming up.

The demand is skewed towards lower value or lower priced garments at the moment which supports lot of online sales as well and be that as it may as a manufacturer we just realigned our production capacity to whatever is currently in demand. Brands are seeking suppliers who can supply in volume and with efficiency and lower cost. Suppliers like us who have a) complex capabilities and b) volume capabilities will automatically be preferred and we will be able to consolidate some of the suppliers in the industry and thereby reduce the impact of overall fall in end garment sales, so that impact could be mitigated if we are able to consolidate the supplier base. So, we are seeing early trends of that, we are seeing customer's report strong phase in Gokaldas Exports and working with us as we go through the effect of the pandemic.

Our consistent performance, our capabilities, our financial strength and our customer relationship, our investment in sustainability, all of this is giving us the confidence and our customers the confidence that Gokaldas is a player of repute, is a player of immense strength and that will help us come out of this COVID situation at the earliest. We are



*Gokaldas Exports Limited*  
*July 30, 2020*

seeing reasonably strong traction already in Q2 and we hope that by end of this calendar year, more or less we should be coming out of the impact of COVID.

With that in mind, I will like to assure you that Gokaldas is doing everything it can to work strongly in the industry, be manufacturer of repute, be manufacturer who focuses on the bottomline and ensure that we deliver consistent results to all our stakeholders whether our customers, the government, the employees and most importantly the shareholders, we are working towards that and we are confident that we will continue this journey going forward.

I will stop now and open up for any questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. We take the first question from the line of Anil Kumar Sharma from Gokaldas Exports. Please go ahead.

**Anil Kumar Sharma:** Good morning Sir. You have given a good performance in this situation, my question is at what capacity presently we are running and how you expect this year end March 2021?

**Sivaramakrishnan G:** We are running at about 75%-80% of capacity levels at the moment, that is because of social distancing where we have spaced out our machines in our factories as well as still some challenges as far as availability of people are concerned due to lockdown imposed in various parts of the city particularly in Bengaluru and having said that, by end of the year, we are expecting ourselves to go to full capacity.

**Anil Kumar Sharma:** Right Sir and how do you see the year end March?

**Sivaramakrishnan G:** That is what I said we will go almost full capacity.

**Anil Kumar Sharma:** Capacity is like profitability?

**Sivaramakrishnan G:** We do not provide financial guidance for the quarters ahead. We anticipate that our business will return to near normalcy by the fourth quarter and I had said that in the last earnings conference and I maintain that at this point in time as well looking at how things have unfolded. In fact it gives me lot more confidence that things are looking even better than it was a month back, so my confidence that things will turn back to near normalcy by fourth quarter is stronger than it was even a month ago and I hope that our performance will come back to normal high growth performance at the earliest. Thank you.

**Anil Kumar Sharma:** One last question, when can we expect the dividend?



*Gokaldas Exports Limited*  
*July 30, 2020*

**Sivaramakrishnan G:** We will look at that at the appropriate time. I think it is too early to comment on that and let us navigate through this COVID impact and make sure that our performance comes back to strong level then we will consider it. Thank you.

**Anil Kumar Sharma:** Thank you.

**Moderator:** Thank you. We will take the next question from the line of Dhaval Shah from Girik Capital. Please go ahead.

**Dhaval Shah:** Good morning. Sir, my question is more on a macro tailwind front, past six months to seven months since the time COVID has struck the world and there is a massive anti China try there, so what sort of conversations do we have with our clients, do they intent to shift something more to us or it might go to some other Asian countries like the other Philippines, Cambodia, Vietnam and how do we want to tap this opportunity or do we see any change in business strategy which we are planning to implement and capture the opportunity?

**Sivaramakrishnan G:** Thanks Dhaval for this question. I will answer this in two parts. One, there is a continuous decline of upper leg from China for two reasons, one being cost in China is very high and second is negative sentiment which is around China itself, so the buyer for the brands across the globe are looking at, derisking themselves and finding alternate supply location. The first blush of that movement went largely to Vietnam and Bangladesh and they were in relatively stronger position to capitalize on the movement out of China. Why did that happen and particularly why did Vietnam gain out of this. It is simply because, the whole game is about a complete value chain so apparel manufacturer is much a portion of the value chain then there is a fabric supplier in behind it, we are spinning and weaving industry behind it and processing industries and all of that, so those industries could still continue to remain in China, supply the fabric to manufacturers in Vietnam and supplied out of Vietnam, so that was the model that people encouraged because the cost of labor which apparel manufacturing being the labor intensive portion got shifted out of Vietnam and to Bangladesh for instance. The other reason why Vietnam and Bangladesh were preferred was because they also had FTA arrangements with certain countries so they could go duty free. So large trade will look at cost of delivery and tariff, these are the two arbitrages that trade seeks and these countries could offer that. Now the second wave of this is due to further pressure being mounted on China by governments around the world, so now what is happening is that complex garments are being considered to be outsourced away from China to other country, now this is where capability comes into play and people like us in India have strong capabilities. The other parts of this is that recent move in US Congress where they went for the Uyghur reforms act or something like that which really



*Gokaldas Exports Limited*  
*July 30, 2020*

punishes companies which does business in Xinjiang, Province of China where there is persecution of some ethnic minorities there in China, so that Province is a large cotton producing Province and because of these moves, the Chinese cotton could get impacted and if that happens, the beneficiary could be India because India is the large cotton producer. Keep in mind that Bangladesh and Vietnam does not have a large fabric base or the rest of the value chain but India had got the full value chain, so the beneficiary of all of these would be the Indian supply chain and if that happens and hopefully it should happen then we will see some more traction coming this time towards India, now the question is are Indian Apparel manufacturers strongly positioned to take advantage of that, few of us are in that position, we are seeing some traction. In fact we have got several orders which were hitherto to till last season being manufactured in China, so we have seen that traction and we are continuing to work on it so we see that what would first start as trickle would probably ramp up as years role by, the full impact of this will probably happen sometime in the year 2020-2021, but I am sure early signs I can see are there in terms of a buildup of tailwind. On top of all this the Government of India, manages to get some FTA with certain countries which I am sure they are working on but these negotiations do take time to fructify but if that happens and that will be an enormous tailwind for the country.

**Dhaval Shah:**

Sir, If you just go back little bit in the history, say year 2011-2012 when this entire Chinese cost of production started inching up and that is where say for example, companies like KPR in India set up issue which garment facility at that time there was lot of noise and lot of interest, government was very excited to give lot of incentives but then over the time we find some companies started did not expand further in India I mean they went to Africa because Africa had an FTA or some duty preference with the European and American countries, so now has anything changed and there were lot of volatility in the government incentive schemes also, anyways it was withdrawn and then lot of ups and down have happened and like in our P&L also 10 Crores is the grant what we have got, so as per you as an industry body, how would you look at this because we had a very golden chance of getting a lot of business but it all went to Cambodia and Vietnam, so was that a time low hanging fruits it was there in Cambodia and Vietnam capitalized on that and now India can really step in since the way entire COVID thing has happened and now is government also willing to grant more incentives to your industry, make a concrete policy and spinners like you can take a long term view and do IRR calculation and make an investment plan, so what are you hearing, what are you representing to the government because it is a matter when India as a country has expert labor and this is an industry which can occupy lot of labor, so in a whole garment as an industry is a great employment generator, I mean we do not see government being very excited for any of our any added incentives, so what is your thought on that?





*Gokaldas Exports Limited*  
*July 30, 2020*

**Sivaramakrishnan G:**

Okay, so that is a lot of questions rolled into one and I will try to be as brief and concise as possible given paucity of time and the interest of other questioners and if I have not fully satisfied you then we could handle this offline, okay so let me get started right away. There is a complex history in India with respect to how well India capitalized on the opportunity coming out in the past versus how other countries have and I think in the past many other country especially two countries Bangladesh and Vietnam have really capitalized on it that is not to mention that India did not Indian apparel exports also continued to grow till up 2014-2015 or thereabout and then it will start fragmenting but it did not capitalize up to a point. The Indian incentives government supports to this industry has been patchy and fairly volatile, there were times when we got reasonable support from the government and good incentive and there were times when most of the incentives have gone like most recently when MEIS was withdrawn retroactively in January 2020, having said all of this, I think the currently the situation is as such the incentives levels most of the extra incentives are gone, industry has to learn to live without any incentives and compete on an even footing so we need to be efficient, we need to be smart we need to develop the capabilities to compete with the best in the world and those firms which are able to do it will always shine and will prosper. So that is the message from the government, anything that the way Gokaldas is looking at it is we would love the government to support to this industry as we know it generates a lot of employment we also employ over 20,000 women and if we continue to grow who knows one day the employ even 1 lakh women so that is the ability and potential to create a lot of employments that too in the right segment of the society but at this point in time I am not banking on any support, if it comes, it is great, it will add to my momentum but if it does not we still are in a position to continue to prosper and progress, so we have to engineer ourselves in that fashion. Second India has got an advantage of the full value chain in the present unlike Bangladesh or Vietnam where we have the cotton production, viscose manufacturing, rayon fiber manufacturing to all the spinning and weaving industry, processing industry, so we are a full value chain player that definitely will come to help us and if there are really smart manufacturing companies who are able to align to global requirements be that in terms of design, be that in terms of capabilities and product variety and manufacturing efficiency, I think Indian firms will lead the way out for India so rather than expect the entire industry to work in a particular fashion I think some of the industry leader will have to step up and deliver consistently high performance which will yield or which will attract some of the best brands to India and work. From a policy standpoint if there is a consistency in policy it will be a great boon for all the operators that we do not have to keep tweaking ourselves in response to policy changes. So, if there is a policy stability that is what industry seeks the rest is in our hands, we will have to keep doing the best we can.



*Gokaldas Exports Limited*  
*July 30, 2020*

- Dhaval Shah:** Thank you very much for your explanation I will come back in the queue.
- Moderator:** Thank you. We take the next question from the line of Sunil Kothari from Relief AMC. Please go ahead.
- Sunil Kothari:** Thank you for the opportunity and I really thank for detailed answer to previous questions. Sir, my question is broadly on inherent ability of the company or may be this industry to survive with this type of EBITDA margin because now in terms you face bitter sense from government policies incentive given in reach out then some time is it okay by the stake or the basic of the employees then as you sometimes face accident of customer end and this very natural it happens everywhere. So, do you feel some of that which single EBITDA margin this is the industry which can really thrive in further or it has some basic fault or some reason to at least reach 12%-14%-15% EBITDA and then use those cash flows to the sustain and preserve some capital to face this type of situations. Broadly I want to understand because that we have seen telecom industry also it is not profitable for some years then it has to die on combining also some macro things are working. Please share your thoughts.
- Sivaramakrishnan G:** Thank you for this question. I think one should recognize that there were a few incidents which happened last particularly the minimum wage went up by over 10% last year as well as MEIS drop that was the 4% of revenue. So there was a confluence of both of these events last and that is why probably very high in our memories. But the good news is that there is nothing more to lose and nothing more that can happen so the EBITDA margin technically can only go up from now rather than anything impacting us. The entire locusts of performance shifts to us and there is no more reliance on any external event because nothing more work can go on barring demand side impact which also came about due COVID even that in my mind from the ebb and we will only see an upward trend coming out of COVID. So, given all of this I feel that the worst is behind us COVID is on its way out the incentives is at its lowest, the wage cost is at its highest. So, everything is that the worst is just behind us and now the focus and the energy is to see a) how we can grow and b) how we can improve our margin. Now, in this bad period also we have delivered at 7.8% EBITDA margin I am reasonably confident that as we go forward the margins will only improve for two reasons; one as the capacity goes up our margins improve because incremental revenue comes with incrementally higher capacity so that will automatically give that operating leverage and margins will improve. Can I in the future and I am not saying this for FY2021 given FY2021 is the year which is the turbulent year for the entire global industry but can I look at the year ahead and say that can we be a double digit EBITDA margin I am reasonably confident that we will be there for sure. So, the confidence that our EBITDA margin will improve to double digit is very strong and we will



*Gokaldas Exports Limited*  
*July 30, 2020*

be attempting that going forward as well given the effort that we are putting in and I am not foreseeing any negative situation coming from demand side or coming from policy side going forward. If there is any tailwinds that will only help us so let us hope for the best.

**Sunil Kothari:**

Sir, basically what I am trying to understand and what to we have observed is that if need be not this year, but may be next year onwards you have ability to say not to your customer that below this prior in margin we are not going to manufacture you have enough choices, that is scenario one can assume?

**Sivaramakrishnan G:**

That happens when we have larger number of customers with us and that is an endeavor that we are working on so that customer diversity is important and year round ability to perform is important. What do you I mean by year round ability? The business is seasonal so we do have our strong seasons which usually come in Q3 and Q4 of our financial years and Q1 and Q2 are relatively weaker quarters for the industry. So, a player whose ability to perform in all seasons because of the product capability will also have an added benefit of better margins because in the weaker quarters also you perform well and you deliver higher margin which overall boosts the average. We need a diversity of customers and a diversity of capabilities in order to do that and that is exactly what we are working on and doing to ensure that.

**Sunil Kothari:**

Sir, my last point and I want to actually understand is inherently this single EBITDA margin or may be 10% to 12% EBITDA margin is here to grow, groom and flourish as an industry or you feel that 15% EBITDA margin in basic needs because then you will find somebody as somewhere, some reason to elude something may be some internal reason, some external clients, some customer, some raw material. So, what in your opinion which EBITDA basic margin is worth doing this actual business?

**Sivaramakrishnan G:**

EBITDA margin is only one measure of performance in my opinion, ROCE is another major of performance, what is the return on capital employed and if return capital employed can be in excess of 20%-25% then I think we are in a good business rather than just look at return on EBITDA margin. Can this industry and can we be there answer is yes. So, our ROCE can be strong, why will ROCE be strong because this industry has got very low investment requirement that is number one, b) is it scalable? Answer is scalable for performers. So, if you have the ability to manage multiple factories, customers etc., and if you have a scalable management team then it is scalable so we can grow and thereby increase our overall EBITDA and three this industry gets reasonably subsidized debt in the country there is an additional financial leverage that you can get through that so return on equity will be even better because capital cost of debt is lower because of interest



*Gokaldas Exports Limited*  
*July 30, 2020*

subvention which somewhat exists in industry. Given all of this one should also look at the other financial parameters like ROP also to evaluate how this business is.

**Sunil Kothari:** Thank you.

**Moderator:** Thank you. We will take the next question from the line of Kush Gangar from Care PMS. Please go ahead.

**Kush Gangar:** Sir, congratulations on decent set of numbers in current tough time. My first question is on the cost control what we witnessed was fight go in terms of reduction. Can you elaborate considering you do not expect to reach full capacity utilization, should we be able to rely on these cost majors to stay away from losses?

**Sivaramakrishnan G:** What our Q1 shows is our agility and our ability to align costs to revenue if business conditions demand we have the flexibility to manage that that is what we demonstrated. Now, will the operating cost have come down drastically primarily because a) we eliminated lot of our overhead expenses etc., etc., like we have a washing unit, two washing unit we shut down one of them for the time being given that the volumes were low so on and so forth. B) Realigned our work force also to the requirement of the business and during that period due to lock down many work forces also were not coming to work etc. We also in the month of April with zero production we ended up paying our employees 50% of the wages while from March even though they did not work we paid full wages and from May we paid full wages to our employees again May-June as well. So, there were lot of those moves that we took we have also realigned our staff count etc., to the business requirement and that also overall contributed to some amount of savings. Some of these savings are here to stay so, these are not one off some of the other savings purely the worker salaries etc., is a function of capacity utilization. So, as we flex up the capacity and start moving up in our capacities, we would be the worker salary costs will go up but so would the revenue in proportion and the profits in proportion. But overall, I would say that we have taken well over Rs. 20 Crores out of the system in terms of cost annually.

**Kush Gangar:** In terms of our customer diversification if you can just give top five client contribution earlier versus now and if earlier we had 7, 8 or 10 big customers what that count is currently after the addition over the last two years. Just some color on how that has worked?

**Sivaramakrishnan G:** I would not want to take Q1 as an example because Q1 is an aberration in many ways. So, the top 5 customer's contribution in Q1 will be very low and I do not want to gloat about it saying that we have brought down our customer concentration considerably so Q1 is not a normal quarter. If I look back two years ago top 5 customers were in my, I am recalling



*Gokaldas Exports Limited*  
*July 30, 2020*

from my memory so, please do not hold this as exact number on me. But it was almost 85% to 87% today we are closer to 70% or under. So, these kinds of things do not move overnight. We do not want to shrink our loss of customers just to reduce the customer diversification we want to grow our other customers so that the diversification objective is achieved and that is what we are doing consistently in order to reduce the customer concentration. Our top customer about two years back was 35% today our top customer is only 26% or 27% of our revenue. So, that is the reasonable diversification of revenue and that is the path which is being sustained and all these new customers that we have brought in are all on a reasonable growth path. So, we are doing okay from that perspective as well.

**Kush Gangar:** Sure, if you can just give input response from US and Europe?

**Sivaramakrishnan G:** Out of exports US is almost 70%-72% and Europe is about 15%.

**Kush Gangar:** Thank you. That is helpful. Just on any capex plans for not this but over the next six-eight months?

**Sivaramakrishnan G:** We are watching the recovery trend. If we get some more confidence by Q3 on market recovery and we feel that that is permanent I mean that is here to stay and seems have come back to full normalcy or near full normalcy then we will go aggressively on capex for building out the factory. For now, we have put capex on hold to get a clarity on how the markets are shaping up. I am quite encouraged by how the demand curve is picking up, when I say demand curve, I will speak end user demand so that in turn will result in our retailers placing orders on us and through the value chain it has to work its way up. But if we see the trend continuing and if we feel that this is here to stay then we will go ahead with capex for the next financial year.

**Kush Gangar:** What can be the topline which can be achieved at full utilization?

**Sivaramakrishnan G:** Last year we did Rs.1400 Crores for the year. I feel that with improved efficiencies etc., with the capacities that we have we may be able to go to about Rs.1500 Crores. But keep in mind that we are also looking at reduction of one factory which is work-in-progress as we speak but despite that I think we will be able to slightly improve the revenue or on full capacity to above last year levels. Beyond that we will anyway need additional capacities to expand.

**Kush Gangar:** Thank you so much.



*Gokaldas Exports Limited*  
*July 30, 2020*

**Moderator:** Thank you. We take the next question from the line of Mukesh Savla from MN Savla Consultancy. Please go ahead.

**Mukesh Savla:** Thank you for taking my question. Good morning Mr. Siva and Mr. Satya. First of all, heartiest congratulations on the excellent management of our operating cost in the challenging time. Most of my questions are answered and addressed. I would just like to have one more guidance from you, you said PPE business was about 25% of the total turnover this quarter, how do you see that business growing forward will that share remain as 25%, it will go up, it will come down and profitability wise, margin wise, how do you compare this business with you other business?

**Sivaramakrishnan G:** Going forward PPE business's share will come down because in first quarter we were expecting first 50% of the quarter when our factories were in lockdown, we were only allowed to manufacture PPE's not anything else. So, our normal business got completely shut down because of the lockdown being imposed on the entire Indian industry. So, PPE as a proportion of revenue went high because the other revenue shrunk, we could not produce. But that is not going to the case going forward because now we are full-fledged at producing for exports and that is point number one. Point number two, by and large the PPE requirement for the country is more or less being met by various suppliers Government of India is unless they come back to us with fresh orders for continued supply we do not intend to produce PPE's for domestic consumption. The domestic PPE industry has been reasonably vitiated with many of the small players getting into the manufacturing of fairly suspect quality as well and supply locally in the market. So, we do not want to compete with that it is not a game we want to play. So, we are clear that we will do business provided there is margin in the business and we will do business where there is a need for the country. So, when we stepped in with PPE manufacturing in Q1 primarily it was to meet a national need and it also ensured that our capacities were the utilized and that helped us considerably in Q1 and more than that it helped the country and medical fraternity. Now, going forward our focus would be let us look at healthcare garments for the global markets rather than India. Unfortunately, PPE business for exports were opened up only from July by then most of the global orders got placed on Vietnam, Bangladesh, China, Sri Lanka, Indonesia etc., so all the orders got placed and we were waiting but we could not get those orders because exports were banned. Now, from July onwards we have started engaging with the customers hopefully something will come but we are also on the second half of COVID battle or the requirement has more or less been addressed by other players so we will see how much more business we can get. But our focus largely on healthcare garments is now export oriented.

**Mukesh Savla:** The margin wise is there substantial?



*Gokaldas Exports Limited*  
*July 30, 2020*

- Sivaramakrishnan G:** We will do when the margins and the pricing are good otherwise, we have other businesses to focus on.
- Mukesh Savla:** Great. Thank you so much that is helpful and all the best.
- Moderator:** Thank you. We take the next question from the line of Jayant Mamania from Care Portfolio. Please go ahead.
- Jayant Mamania:** Congratulations for the great set of numbers during this COVID period and industry outperformance. Sir, I wanted to know whether this work from concept will reduce the size of the readymade garment industry?
- Sivaramakrishnan G:** I can see that garment requirement may not come but the nature of garments may change. So, there may be a focus towards Casual and Athleisure kind of garments if work from home continues globally and people may prefer those kind of garments as opposed to formal suits or formal dresses and cup like that. The product type can go through some alteration. I am not foreseeing massive shrinkage of readymade garments also human beings are social people, social beings would want to go out meet people etc., currently they are being held back by COVID but as and when a vaccine comes or people learn to live with this pandemic which is probably a bigger learning curve for all of us to overcome. Once that happens, I think the RMG demand will come back what I am currently seeing is Indian RMG demand is low. While we are reasonably insulated from it and we are export focused I am foreseeing that it may take a little longer for Indian RMG demand to come up, but international RMG demand I can see is bouncing back very well. So, in my earlier talk I said garments under \$25 for instance are doing reasonably well. We are seeing demand go up to almost 80% of the levels which we were seeing a year back. So, same month last year versus this year low priced garments have more or less picked up, it is the high garments which are now yet to pick up so, there is a degree of casualization of the product in demand hopefully that also will change going forward we will have to observe it.
- Jayant Mamania:** My second question is Sir, we have got in April 15% and in May 50% and in June 75% so, average utilization level was around 45%. In spite of that we have achieved 70% of the turn of Q1 2019 so, how that was possible?
- Sivaramakrishnan G:** Turnover is also a function of the value of the goods and value of PPE per garment is higher than normal garment. If I make shirt versus the PPE pricing is different there is multiple components which go into all of them and the other part is of course efficiency levels as well. So, one is what percentage of capacity which has been workstations used, the people



*Gokaldas Exports Limited*  
*July 30, 2020*

used and we operated at fairly higher efficiency levels in Q1 with the existing staff so that also yielded some incremental revenue.

**Jayant Mamania:** Thank you.

**Moderator:** Thank you. We take the next question from the line of Prerna Jhunjunwala from BSK Securities. Please go ahead.

**Prerna Jhunjunwala:** Congratulations Sir, on great EBITDA margin that you have delivered this quarter in times of COVID. It is highly commendable. Just wanted to understand are there any major learning that you have gone through in the last four months because we have been trying to improve our efficiency and reduce cost to get this kind of profitability over the last one, one and a half years and we have managed it in this quarter. So, any sticky costs that you would like highlight which have given us the fragility in this quarter or some light on the lessons and cost reduction which has been possible due to COVID which could not be done earlier?

**Sivaramakrishnan G:** A bit of context is required. Earlier we were planning to grow and pre-COVID, I was intending to grow in FY2021 by almost 22% to 25% that was the aim or the goal that we had and then COVID came hit us and completely derailed the entire industry particularly us because we were planning for high growth and when we plan for a high growth you have got to build your capability and capacity a bit ahead in advance. So, we have to build the cost structures also for that kind of a growth and all this had happened prior to COVID. Now, when we saw COVID hit us and when we saw that the hit is not going to be very short-term for a month or two but it is going to last out in some form or fashion for the year we said that we will now have to make sure that we contain ourselves but we keep the core capability of what we are intact. So, some of the early cost structures that we built whether it is in development side, whether it is on the design side, whether it was on the merchandizing side where we built additional cost etc., in the hope of bringing on a few more customers etc., we contained those, we also cut some extras in the factories from a cost perspective one of the underperforming factory we have started the process, we laid the workers off days for is that factory was not profitable for over five years so we did that. We have realigned our customer base also there were certain customers who were not as profitable when we see that there is a capacity constraint because of COVID etc., we realigned our focus on those customers where we can make better profits than otherwise. So, some of those realignment also happened. Multiple places optimization happened including wage restructuring to manpower management, working capital cycle we tightened much more. So, a combination of all of these efforts is what resulted in our cost management coming out very successful so, it is not like one silver bullet which we fire and then get operating cost reduced by 30% there were multiple efforts taken. But through all of





*Gokaldas Exports Limited*  
*July 30, 2020*

this it is important to keep in mind that the core capability of efficient manufacturing is not lost sight off we have not that we have in fact further worked harder on it to ensure that our efficiencies only go up and the efforts on that side was never stopped I fact it was further advanced. So, where required we have spent money to further make ourselves competitive and anywhere else, we have gone ahead very aggressively chopping costs in line with the requirement. So, it gives us the confidence that when the growth comes back, we can grow back. It also gives us the confidence that we can with a much tighter manpower and tighter operations we will be able to gun for higher revenue so, that is how it is done.

**Prerna Jhunjhunwala:** Some of these costs will not come back also because these things can be doable. Okay, that Rs.20 Crores that you talked about are a mixture of all these activities. What would be your current employees' trends and vis-à-vis last year same quarter?

**Sivaramakrishnan G:** We are at 22000 versus last year we were 26000 by March end.

**Prerna Jhunjhunwala:** Sir last question on taxation when do you see yourself getting into the tax bracket again?

**Sivaramakrishnan G:** FY2022 or FY2023 Prerna.

**Prerna Jhunjhunwala:** Thank you.

**Moderator:** Thank you. Next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

**Ashwin Reddy:** Thank you for the opportunity. Firstly, fantastic performance given the environment and congratulations to the entire team. I have three queries one is on the China part that you mentioned, you have been trying to look at the alternate sourcing for raw materials along the supply chain. So, as on date what proportion of the raw material comes from China for Gokaldas?

**Sivaramakrishnan G:** Our import value is around Rs.200 Crores annually what we do of which China is contributing close to Rs. 120 Crores.

**Ashwin Reddy:** In terms of the pricing as you mentioned that you have been more of online sales and customers also downgrading in the end market in their purchases. So, how should we see this impact on your margins your customers trying to re-negotiate the contracts and which give you anymore margin pressure?



*Gokaldas Exports Limited*  
*July 30, 2020*

- Sivaramakrishnan G:** If the garment type changes amongst the end consumers it does not impact us much, we align our products and capability to produce whatever is in demand whatever is required we have the ability to do that. The margin is a function of how much of capacities chasing what demand right. So, if lot of capacities chase smaller demand there will be margin pressure in some ways one could say that prevails even now. We have been reasonably efficient and capable of handling some of that and holding to our margins. Customers also want quality produces and more importantly consistent producers. So, the worry which many customers have during this period is that lot of smaller players who in turn tend to keep the pricing low are financially very weak. Their ability to borrow or their ability to pay their workers through all this period is questionable and that capacity when it comes into active play is when the margins get impacted when that capacity is at bay we will not have as much pressure. So, if there is a same capacity so to speak then we will be in a better position so, for now while the macroeconomic tendency will indicate that there has to be higher capacity than demand the reality is that lot of capacities are suspected this point in time their ability to deliver is questionable which is not putting as much pressure on margins as I would have thought and having said that, as things unfold over the quarters ahead, we will have to keep a close watch on it the best panacea for that is to ensure that our manufacturing efficiency continues to be strong.
- Ashwin Reddy:** Finally how do we see the debt play out over the next one year because in this quarter we did not see a big rise in debt so that is good but given that you are more optimistic now versus a month ago, how do you see the debt situation at the end of the year for your guys?
- Satyamurthy:** Our debt requirement I mean overall debt will go by around Rs.25 Crores is what is our estimation for the year end with the current operations if you are really looking at any further expansions something like that it will go up by another Rs. 25 Crores totally about Rs. 50 Crores is what is the maximum what we expect to go up by the year end.
- Ashwin Reddy:** Once you do the expansion over the next two years to three years would you again need more debt or do you think this is over to the peak debt, how do you think about the debt with the two year to three year kind of perspective, how do you think about the debt that you have right now?
- Sivaramakrishnan G:** Debt I would classify in two categories. One is the working capital debt which will rise in proportion to revenue and our aim is to contain our working capital through current cycle of about 90 days or thereabout so to that extent the working capital debt will go up and in my opinion that is a good debt. Why is it a good debt, because currently at least till end of next year there is interest subvention going on hopefully that will get continued that is something around 6% so any debt which comes at that level in my mind cost of capital being low is



*Gokaldas Exports Limited*  
*July 30, 2020*

always healthy for the business as opposed to otherwise so that is as far as the working capital is concerned it will be in proportion to the revenue. The second type of debt that I see is the long-term debt which we would require in case we want to expand our factory capacity as in add new factory. Any expansion within our existing factories etc., we have own cash flows which will sustain us but new factories etc., we may look for additional capital requirements which is what Satyamurthy was mentioning that additional capacity etc., will look at another Rs.25 Crores maybe even Rs. 30 Crores to Rs. 35 Crores of capital we may require as we go forward to put new factories but then those new factories will also be contributing to incremental EBITDA and we have to look at it from the project financing perspective so additional debt will only come from that perspective. I do not foresee also that going too much because internal accruals will also start contributing to it and will deploy that.

**Ashwin Reddy:** Right got it. Thank you, so much and good luck.

**Moderator:** Thank you. We take the next question from the line of Anil Shah, an individual investor. Please go ahead.

**Anil Shah:** My question is you talked about the fact that this industry does not really need large capital investments and hence my question is related to that we operate currently from about 21 locations maybe you talked about winding down one location so that could be 20 but for a turnover of Rs. 1400 Crores working from 20 locations is that really efficient and how we have management really looked into this number one, number two related to same thing how many of these locations are owned and could actually be if at all we look to consolidate could actually be sold off that money could actually be used for reduced debt or expansion and second question is related to productivity per employee, how do we measure that, again the questioning is coming in the fact that we do have about 22000 employees and we are looking at a turnover of Rs. 1100 Crores to Rs. 1200 Crores whatever, Rs. 1400 Crores and we will have about 22000 to 24000 employees, if you look at similar set up let us say in Vietnam, Bangladesh etc., is it far much more automated and hence the number of employees being less so how do we really measure productivity, so these are the two different questions. Thank you.

**Sivaramakrishnan G:** So, your question regarding our factory, do I need so many factories and are we being efficient in producing it over so many units, the fact is that many of the units are in close proximity to one another many of these units in fact I recall Gokaldas had lot many more unit and lot of consolidation has happened over the years and our aim is to make each factory reasonably large, there is a sweet spot beyond which you cannot go and my understanding of the sweet spot is around 2000 to 2400 people per factory because as we



*Gokaldas Exports Limited*  
*July 30, 2020*

grow bigger than that then the catchment pool for the labor becomes wider and wider and people will have to travel further distances and automatically we will have to provide for bus and other things where you know the cost structures go up and the economies of scale do not proportionately kick in so we need to contain it to those levels. We do have factories which are small where we still have these are legacy factories where we have 500 to 600 employees as well, over a period since those factories are profitable they have some core capabilities which are valued by customers they are still keeping them otherwise in the future when I look at that the new factory, I will be looking at a factory which is about 2000 plus workers which means technically we should have only ten factories for the size that we are operating in 10 to 11 factories but we do have more, if you look at our core garment manufacturing factories they are only 15 at this moment, the others are all value added factories which are in turn supplying or serving other factories so for instance there is a laundry which works for all the factories together, there are two laundries that we have so that also gets added as additional unit in the 20 headcount but they are supporting the other garment manufacturing in fact there are embroidery factories, then there are poly wadding factories which makes the polyfill for requirements for outerwear, there is a printing factory where we use it for printing for sportswear so there are all these extra factories which support the main factory as the main factories keeps growing the other factories need not grow because they will continue to support them. So, coming back to the question of how do you measure productivity per employee, I think it is a bit tricky here because it depends on what you produce, see if I produce a low value garment like a Polo T-Shirt or something like that versus that complex outerwear you know how do I measure all this and how do I measure it on a per worker basis and what constitutes our revenue so our revenue is the function of a) the material that is coated so when I am producing a let us say low value tag-top versus very complicated outerwear for mountain hardware, now one sells for \$250, one sells for \$10 or \$12, so the fabric contains, that the trims contained one is low and the other is manufacturing content is different so even from production standpoint, when I look at the government about 50% of which is really fabric plus print, 60% and then rest is the manufacturing cost and the profit embedded there. So, if the fabric content goes up the revenue per employee will go up, if the fabric content goes down revenue per employee will go down but you know does the margin play that way it does not. On an overall average basis how are we compared with Bangladesh and Vietnam we are more or less at par, there labor cost in Bangladesh is bit lower so seen a revenue per employee may look slightly different but that part I think we are more or less benchmarked in fact we constantly benchmark with global players ourselves and are making sure that we are as efficient and as profitable as possible, if you want lot more nuisance details we can handle it offline from this call.



*Gokaldas Exports Limited*  
*July 30, 2020*

- Anil Shah:** Sure, that will be great. Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Milan Shah from Urvil Research. Please go ahead.
- Milan Shah:** Congratulations for extraordinary number and achievement. My requisitions are taken. I only want to know the PPE business is it Rs. 60 Crores of this quarter?
- Sivaramakrishnan G:** Yes, it is about Rs. 55 Crores to Rs. 58 Crores or thereabouts.
- Milan Shah:** Okay and it is now only for we are going to do export for the PPE kit?
- Sivaramakrishnan G:** See, we are considering it, we are working on that it is a plan, as I said earlier that we may not be looking at too much of India business going forward it all depends on the need for the country if there is a need definitely Gokaldas will step in and do the needful and we are committed to that but if the Indian demand is more or less fulfilled then we will look at the alternate market for this.
- Milan Shah:** Okay and only one request, our BSE side our website mainly is wrongly represented. My client every time says it is not linked to Gokaldas Exports, so kindly see the Company secretary to rectify this.
- Sivaramakrishnan G:** Definitely we will take this into account, and we will correct it.
- Milan Shah:** Thank you and good luck for the future.
- Moderator:** Thank you. We take the next question from the line of Riddhima Chandak from Roha Asset Management. Please go ahead.
- Riddhima Chandak:** Thank you for the opportunity Sir. First of all congratulations on a decent set of numbers in these challenging times. My question is regarding what is the realization in our readymade garments in PPE as you said that PPE is kind of high value items so can you bit elaborate on this?
- Sivaramakrishnan G:** So, what is the question, realization per garment?
- Riddhima Chandak:** Yes.
- Sivaramakrishnan G:** Per PPE you mean?



*Gokaldas Exports Limited*  
*July 30, 2020*

- Riddhima Chandak:** Per PPE and in the readymade garments?
- Sivaramakrishnan G:** Firstly the PPEs are being sold at about Rs.635 to Government of India, we also manufacture make-over PPEs which are expensive which goes at about Rs.925 per piece. As far as the other readymade garments are concerned the realization per piece is closer to Rs.649 blended.
- Riddhima Chandak:** Because due to this COVID and people are working more from home so people are just wearing and buying value related products that is low priced products, so going forward would we assume that a realization may decrease from this level in the RMG that is currently at Rs.649 per piece?
- Sivaramakrishnan G:** No, please keep in mind that we are an export oriented player so especially when we export to colder climates the weather also plays a role in what the garment people wear, so in the winter people will have to wear jackets, will have to wear garments which are more expensive because it provides certain function so there is the certain casualization trend which has happened which I am hoping that will be limited to the COVID period but there is also a need which weather demands and for which high value products will also gets sold but high fashion garments or garments which are high priced due to fashion may currently witnessing the lower demand so would the realization per piece be a little lower than last year the answer could be yes but then the number of pieces would go up in proportion and by and large we will tend to keep our factory utilization levels well so that may not have as much bearing on the margins.
- Riddhima Chandak:** How much our revenue contribution is from the jackets, tops, shirts, pants and shorts, can you gauge this?
- Sivaramakrishnan G:** So, for the first quarter our casual wear was closer to about 25% or outerwear was about 30% to 35%, bottom wear was about 15% thereabouts.
- Riddhima Chandak:** Okay and in this how much is women, men and kids?
- Sivaramakrishnan G:** I am giving a very broad number and really at the top of my head, women will be about 60% of what we produce, men is about 35% and the rest is kids.
- Riddhima Chandak:** Women, typically has increased that is in FY and it is approximately 44% levels, so it has significantly increased during the year in FY 2020?
- Sivaramakrishnan G:** Yes.



*Gokaldas Exports Limited*  
*July 30, 2020*

**Riddhima Chandak:** Thank you.

**Moderator:** Thank you. We take the next question from the line of V P Rajesh from Banyan Capital. Please go ahead.

**V P Rajesh:** My question is that we are hearing lot of retailers going bankrupt in the US and I assume that it is a large market for us so could you just give some commentary around, what is the impact on your customers and does it impact your cash flows or it just impacts your consignment, just any color on that side will be very helpful?

**Sivaramakrishnan G:** Certainly, if you look at the retail landscape in the US, there is impact. I would not say skewered, about two months back I would have said it is being completely skewered but now they have been seems to coming back because most malls were shut and the footfalls the malls were completely absent and the retail landscape was very bleak. Many of them shifted online and did brisk online sales so whether it is GAP, gap.com would sell well and so on and so forth. So, when I look at the retail landscape I would broadly classify it under different categories, one is pure fashion brand so if you look at GAP, H&M and those kind of one and they all try to switch online and they somehow seem to be pulling along without getting as much impacted then there are multibrand retail outlets which are more like a department stores for example Neiman Marcus, J C Penney, KFC, Bloomingdales, you walk into one of the stores you will get garments from various brands and some of the store brands as well so some of them are under financial trouble because they are very large stores with high overheads, they are not as nimble as the brands are and they tend to offer very commodity kind of garments and they came under higher pressure so for instance Neiman Marcus filed for bankruptcy, Fear filed for bankruptcy they were one of our customers again a multibrand outlets. J C Penney filed for bankruptcy and we had an outstanding of about Rs.2.5 Crores of which last quarter we provided Rs. 1.25 Crores, other than that I do not foresee any of our customers being impacted than there is yet another category of retailers which are the grocery kind of brands so whether it is your Wal-Mart, Carrefour and such likes now these guys are all doing well because the footfall into these stores are very high because people want to go and buy groceries and along with that they will buy commodity garments, so in fact some of these guys are doing exceedingly well, Wal-Mart sales are up rather than down, so we have diversified ourselves into all these customers category and last one is more like the brands which have lot of franchises stores like Nike, Puma etc., they also seem to be weathering the storm well so ones which are most impacted in my opinion are the ones which are the multibrand retailers like J.C. Penney and Neiman Marcus and they are actually being rogered or hit by the online sales which is taking over that market so our exposure has been limited to them, we are working with them, some of them legacy like J C Penney are also most likely working on getting



*Gokaldas Exports Limited*  
*July 30, 2020*

acquired by some other players so they have take up partners as well as Hudson Bay company in fact looking at acquisition so we will see how that goes but while all of this happens we do have certain exposures, we have provided for it in fact in our Q1 also we have provided for expected credit loss to the extent of Rs. 3.5 Crores so I am prudent and would like to take appropriate actions to safeguard our financials and ensure that we keep providing so that we do not tend to carry forward some of these impacts on us going forward. However I do see the landscape in the future I feel that the worst is more or less behind us, things may only improve and if some of these mergers and acquisitions also happens then some of these retailers will bounce back, retail goes through cycles, it is important that we as a suppliers are one step ahead and look at how the retail cycles are twisting and turning in those respective markets and align our capacities to with the right set of players we are more or less secure at this moment with our current set of customers. Hope that answers?

- V P Rajesh:** Yes, that was very helpful. The second question, what is the potential revenue that you can generate and I do recognize that product mix has a role to play but in general given the capacity you have what can be your peak revenue possible?
- Sivaramakrishnan G:** When you say peak revenue are you mentioning peak revenue in FY 2021 or beyond, the FY 2021 will be impacted by whatever is going in the markets.
- V P Rajesh:** I am saying full capacity let us say all your factories are running at 100% capacity then you know what is the potential revenue that you can have in a financial year, that is the really question?
- Sivaramakrishnan G:** I think Rs.1500 plus Crores.
- V P Rajesh:** Lastly on the casual wear side are the margins lower or higher or same as your products or they just if you can comment on that?
- Sivaramakrishnan G:** Margins are also function of the customers, casual wear margin is not low, it depends on which subsegment of casual wear we play in, we tend to play more in women's casual wear where there is lot of fashion elements still involved and that is where the margins improve whereas the men's casual wear will be fairly low margins so we tend to be very margin sensitive when we go for business and women's casual wear has reasonable margins.
- V P Rajesh:** Okay and lastly what was your net debt at the end of Q1?
- Sathyamurthy:** Net debt is Rs. 160 Crores. This net debt is excluding the bill discounting.





*Gokaldas Exports Limited*  
*July 30, 2020*

- V P Rajesh:** Sure and what is the amount for that?
- Sathyamurthy:** That is about Rs. 31 Crores.
- V P Rajesh:** Thank you so much. Really appreciates this.
- Moderator:** Thank you. The next question is from the line of Anil Kumar Sharma. Please go ahead.
- Sivaramakrishnan G:** Just wanted to clarify which company do you represent?
- Anil Kumar Sharma:** I am not from Gokaldas I am an individual investor.
- Sivaramakrishnan G:** Okay, because when she said you are from Gokaldas, I was quite surprised.
- Anil Kumar Sharma:** My question is already you had mentioned, how much you spend from this bad debt recovery, realizations are fine. You have provided Rs.3.5 Crores, are you seeing some increase in this or something like that, realizations points?
- Sivaramakrishnan G:** As of now whatever we have encountered we are providing for it, it is not that we have taken the prudent call and provided given the circumstance in situation that we are foresee. I do not know how the situation unfolds going forward so we do not want to comment on it because these are all largely what happens in the customers landscape, we are very prudent so we take the necessary provisions as prudent players for now.
- Anil Kumar Sharma:** You have provided for Rs. 3.5 Crores apart from that you have also provided for one particular customer in this quarter also right?
- Sivaramakrishnan G:** No, Rs. 3.5 Crores is what the provision in the current quarter is, earlier whatever we have provided is what is noted in the contained in the notes.
- Anil Kumar Sharma:** Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Rohit, an individual investor. Please go ahead.
- Rohit:** Congratulations on the good performance on the good performance in a difficult quarter. My question is personally on the opposition side, Mr. Siva you mentioned that there has been an uptake on the efficiency levels, could you put a number to it let us say versus last year same quarter?



*Gokaldas Exports Limited*  
*July 30, 2020*

- Sivaramakrishnan G:** If I look at Q1 FY2021 versus Q1 FY 2020, my productivity built up by 9%.
- Rohit:** So, would it fair to say like it is gone up let us say some 40% or 49% something like that in that context broadly?
- Sivaramakrishnan G:** No, if it is 100% it is going to be 109%.
- Rohit:** Okay got it, so 9% gain on the productivity. Next question is, what kind of an impact have you see because of the pandemic on your cash-to-cash cycle time?
- Sathyamurthy:** Overall my numbers, our working capital cycles remains the same because most of the cases we also have opted for early payment program with our customers so the cash flow continues to come from the customers through the early payment program and we managed with the creditors for whatever the extended period during this lockdown period there was delay so to that extent there was also a delay and we have also taken that kind of postponement from our creditors so the cycle remains the same overall around 90 days you can take it.
- Rohit:** 90 days, okay. I guess that is perhaps what has contributed to the increase in the finance cost I think 9.7 is perhaps one of the highest in the last several quarters, so that is the reason vital?
- Sathyamurthy:** No, the interest cost is slightly higher to the extent of around Rs. 68 lakhs on account of Ind-As reclassification otherwise that if you really adjust it, it is more or less the same.
- Rohit:** One last question, I think two days back there was an announcement that the Finance Ministry is planning to limit the MEIS allocation to Rs. 9000 Crores, do you anticipate that this will impact the company, or do you think this proposal will not go through?
- Sivaramakrishnan G:** We do not get MEIS. In fact MEIS has been removed for apparel exports, in January they announced MEIS withdrawal effective March 2019 so we are not recipients of MEIS unlike other exporters, so MEIS allocation has got no bearing on us.
- Rohit:** Thank you very much.
- Moderator:** Thank you. Well members of the management this seems to be the last question.
- Sivaramakrishnan G:** Thank you very much. Thank you all for patiently listening to us and asking us lot of questions. We continue to be committed to all our shareholders and will work hard to deal



*Gokaldas Exports Limited*  
*July 30, 2020*

with the pandemic and deal with the circumstances as they unfold. We are fairly agile in our operations and look forward to strong quarters going forward. Thank you so much.

**Moderator:**

Thank you. On behalf of Gokaldas Exports that concludes this conference. Thank you all for joining us and you may now disconnect your lines.